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Gun Control

The Bureau of Alcohol, Tobacco and Firearms will expand efforts to curtail illegal commerce in firearms in large metropolitan areas. This effort, which was directed by the President in the Message on Crime, is designed to assist local law enforcement efforts to curb violent crime by identifying and disrupting illegal firearms distribution channels. An additional 500 Federal investigators will be employed to work closely with local officials in the 11 largest metropolitan areas. The program will begin with 180 additional investigators assigned to Washington, D.C., and two other cities in 1976. In 1977, the program will expand with 320 additional investigators. Eleven cities in all will be covered. They are as follows: Boston, Chicago, Dallas, Detroit, Los Angeles, New York, Philadelphia, Pittsburgh, San Francisco, St. Louis, and Washington, D.C. The Bureau is redirecting 60 investigators from the suppression of illicit liquor to the new firearms program. This redirection coincides with the decline in illicit liquor activity.



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Illegal Aliens

Each year a great many aliens enter the United States illegally, seeking economic opportunities that do not exist in the countries from which they come. The number of illegal aliens in the United States is uncertain, but 788,000 deportable aliens were located in 1974--about twice the number of immigrants who entered legally in that year.

Historically, illegal aliens have worked along the Southwest border as agricultural laborers. Today, however, there are increasing concentrations in urban, industrialized areas throughout the country, and though some are willing to accept employment for which Americans are unavailable, many others compete for jobs of interest to American workers. All live in fear of apprehension and are subject to economic exploitation or abuse.

This influx of unauthorized immigrants has important but as yet unclear implications for the United States. In 1975 the President established a Domestic Council Committee on Illegal Aliens and instructed it "to develop, coordinate and present policy issues that cut across agency lines to provide better programs for dealing with this national problem." Until the Committee has finished its studies and recommended a comprehensive program for addressing the issues, the President has instructed the Immigration and Naturalization Service (Department of Justice) to concentrate its efforts on rigorous enforcement of current immigration statutes.

The 1977 budget seeks to improve the balance within the Immigration and Naturalization Service (INS) in the allocation of resources devoted to apprehension, detention, and ultimate expulsion of illegal aliens who live and work in metropolitan areas of the United States. While the investigative arm of the Service has the capability to identify relatively large numbers of allegedly illegal aliens, little can be done with those who are apprehended because of the inadequacy of detention facilities, the limited number of detention and deportation personnel and the lack of sufficient funds for alien removal. Aliens are often held for a few hours and released on their own recognizance prior to removal from the country. As one would expect, few reappear as ordered. For example, over a two month period in New York City, 449 persons were apprehended and released pending arrangement of transportation out of the country; only 22 returned on the date set for their departure.

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In keeping with the President's intent to enforce effectively the immigration and naturalization statutes, staff resources available to I&NS will be redeployed in 1977 and more than \$10 million will be added to the Service's budget for detention and deportation. A new document control system and other productivity improvements will make it possible to reduce the number of inspectors at ports of entry by 133 positions; the investigative arm of the Service will be reduced by 127 positions--primarily by decreasing the number of investigators working on routine background checks. This will enable the Service to employ 106 new detention guards and 98 deportation personnel. Border Patrol staff will be maintained at 1976 levels.

Federal Bureau of Investigation (FBI)

The Federal Bureau of Investigation's (FBI's) budget will decrease by approximately \$14 million in 1977. The decrease is partly due to declining workload from 1969 to 1975. The FBI's investigative workload has decreased by approximately 22% from 1969 to 1975 while the agency workforce has increased by almost 25% during the same period (see table below). This downward shift is primarily explained by three factors: the drop in desertion cases due to the disengagement from Viet Nam and the creation of all volunteer armed forces, the transfer of certain types of cases (stolen cars and thefts from interstate shipment) to the States for investigation, and the new policy of prioritizing FBI investigative casework. Recognizing these changing trends in FBI workload, the 1977 budget assumes a 1% productivity increase in FBI workforce, allowing a decrease of 250 positions. This proposal attempts to bring the FBI workforce more in line with anticipated workload, and at the same time recognizes the increased complexity of the FBI's current investigative mission, particularly in the areas of organized and white collar crime.

Workload vs. Agent Workforce

	<u>Investigative Matters</u>	<u>Special Agents</u>
1969	859,666	6,832
1973	774,579	6,572
1974	745,840	6,564
1975	673,957	8,404

The 1977 budget also proposes to require 50% reimbursement from the State and local governments for training provided by the FBI as well as to reduce equipment purchases and premium pay.

To assure that trained agents are available to replace those agents who must retire by January 1978, 80 temporary work-years were provided in 1977 which will permit training of 450 new agents.

Customs

The U.S. Customs Service budget will increase by \$5 million in 1977. This net increase is due to pay and other price increases, offset by reductions in staff and equipment purchases.

The decrease in staff relates to recent declines in workload requirements from those levels previously anticipated. Previous workload estimates assumed continuation of past increases in the number of travelers and formal import entries which had been averaging 8% over the past 10 years. Over 1,000 additional average positions were added to handle the projected increase in workload as shown below.

	<u>1973</u>	<u>1974</u>	<u>Est.</u> <u>1975</u>	<u>Act.</u> <u>1975</u>
Formal import entries*	3,240	3,206	3,640	3,015
Persons arriving*	251,618	259,619	268,800	249,730
Average positions	11,772**	11,878	---	13,076

*Amounts in thousands

**Includes 702 average positions transferred to the Drug Enforcement Administration under Reorganization Plan No. 2 of 1973.

The decreased workload in 1975 has reduced previous estimates for 1976 as shown below.

	<u>Previous Est. 1976</u>	<u>Revised Est. 1976</u>	<u>% Difference</u>
Formal import entries*	3,484	3,135	-10%
Persons Arriving*	278,200	257,000	-8%
Average Positions	---	13,255	--

*Amounts in thousands

The number of travelers and import entries is expected to increase in 1977. However, the expected workload remains below that previously expected as shown in the table below, for both 1975 and 1976.

	<u>Previous Est. 1975</u>	<u>Revised Est. 1976</u>	<u>Est. 1977</u>
Formal entries*	3,640	3,484	3,355
Persons arriving*	268,800	278,200	267,000
Average Positions realized or estimated	13,076	13,255	12,936

*Amounts in thousands

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The reduction in staff of 319 average positions to 12,936 average positions in 1977 will provide a better balance between staff and expected workload requirements. The staffing level provides for processing workload at rates which are similar to those achieved prior to 1975. The effort to interdict drugs and other contraband will continue to remain a high priority in the Customs Service.

Administratively Uncontrollable Overtime (AUO) for Law Enforcement Officers

Federal Law (5 USC 5545) authorizes the heads of Federal law enforcement agencies to award premium pay or "administratively uncontrollable overtime" (AUO) to investigators and other law enforcement officers who work irregular overtime hours on schedules that cannot be predetermined and approved in advance. In 1976, 22,000 employees of the Internal Revenue Service, the U.S. Customs Service, the Secret Service, Treasury Department's Bureau of Alcohol, Tabacco, and Firearms, the Federal Bureau of Investigation, the Immigration and Naturalization Service, the Drug Enforcement Administration and the U.S. Marshals' Service are eligible to receive between \$1,500 and \$3,700 annually in administratively uncontrollable overtime payments.

The practice of awarding premium pay is necessary to assure that law enforcement officials will be compensated when they work extra hours for legitimate reasons without prior supervisory approval. For example, a narcotics investigator cannot always know in advance that he will be following a suspect at the end of his normal eight hour workday, and it would not be realistic to terminate an active investigation simply because the clock reaches 5:00 p.m.

Although AUO is necessary, improved management can be used to reduce expenditures in this area. Agency allowances for administratively uncontrollable overtime will be reduced by about 25 percent in 1977, resulting in an outlay savings of \$17 million. Management personnel will be instructed to tighten up on administrative regulations and work schedules to assure that officers who must work irregular, unscheduled and unsupervised overtime hours receive the full premium pay to which they are entitled. Personnel on routine assignment will be expected to complete their work in the normal eight hour tour of duty or, when extra work is absolutely necessary, to schedule supervised overtime in advance.



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State and Local law enforcement assistance

The fight against crime, particularly violent crime, is primarily a State and local government responsibility. The Federal Government plays a supportive role by providing financial and technical assistance to State and local governments and criminal justice agencies to strengthen their ability to operate effectively. The 1977 budget continues to emphasize the importance of this Federal assistance role, but in a manner which (1) features greater selectivity in funding programs and projects with potential for reducing crime and (2) more clearly distinguishes between Federal, State, and local government capabilities and responsibilities.

Specifically, for the Law Enforcement Assistance Administration (LEAA), the major program for providing financial and technical assistance, the budget requests \$708 million in new budget authority for 1977, down approximately 10% from the 1976 funding level. The 1977 budget assumes greater selectivity and evaluation of LEAA programs to determine their impact on crime reduction. Major 1977 budget proposals include the following:

- Matching block and discretionary grant programs are down slightly from 1975 (approximately 6%) reflecting the need for a more cautious approach in selecting programs for funding which have potential for reducing crime. The most significant new program proposed is the "High Crime Area Program," an initiative to target assistance funds to urban areas with high crime rates.
- Programs which will aid in the evaluation of LEAA effectiveness--planning grants; technical assistance; research, evaluation, and technology transfer; and data systems--will be maintained at approximately the 1976 level.
- The Law Enforcement Education Program, which provides criminal justice system training for college students and State and local police officers, will be eliminated, except for full-time students currently enrolled in multi-year courses of study. This function can be more appropriately funded and administered by State and local governments. However, the transition quarter budget does contain \$40 million which will permit funding of the 76-77 academic year for current students.
- The new juvenile delinquency programs authorized by the Juvenile Justice and Delinquency Prevention Act of 1974 will be funded at a level of \$25 million. This will be accomplished by a request of \$10 million in new FY 77



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obligational authority and a deferral until FY 77 of \$15 million from FY 76 appropriated funds. This new program supplements more than \$100 million currently spent annually on juvenile delinquency from other LEAA programs. This program will be intensely evaluated during 1977 to determine its effectiveness.

The Federal Bureau of Investigation (FBI) also provides assistance to State and local governments through its laboratory analysis and training programs. The 1977 budget continues the laboratory analysis program at current funding levels but requires State and local governments to reimburse 50% of the costs of training received from the FBI. This latter proposal recognizes the unique law enforcement training capabilities of the FBI but requires State and local governments to share the costs of the program, from which they primarily benefit.

Internal Revenue Service

The 1977 Presidential budget provides continued emphasis on revenue-generating activities which directly and indirectly encourage voluntary compliance with internal revenue statutes. Anticipated productivity increases, combined with greater selectivity in choosing cases, are generally expected to allow the 1977 program level to approach that of 1976.

Although average positions will be reduced by 3 percent below 1976, the 1977 level will still be comparable to 1975, as shown in the table below. The budget level presumes that additional measures will be taken to constrain property and equipment procurement, space alterations, printing and postage, graphic arts, administrative travel, executive training, use of space, and agent overtime.

	<u>Average Positions</u>			
	<u>1974</u> <u>Actual</u>	<u>1975</u> <u>Actual</u>	<u>1976</u> <u>Estimate</u>	<u>1977</u> <u>Estimate</u>
Executive direction and internal audit and internal security	1,741	1,867	1,874	1,771
Data processing operations	24,817	26,035	26,623	26,412
Collection	11,243	12,326	12,604	11,383
Taxpayer Service	2,798**	3,380**	4,218	4,062
Audit of tax returns	25,488*	28,373	28,100	27,580
Tax fraud and special investigations	3,793	4,130	4,062	3,675
Taxpayer conferences and appeals	1,409	1,423	1,494	1,445
Employee plans and exempt organizations	1,568*	1,807	2,075	2,247
Other supporting programs	2,905	2,998	3,114	2,984
Total average positions	75,762	82,339	84,164	81,559

* - Adjusted to separately identify average positions devoted to employee plans and exempt organizations in audit (1,379) and technical rulings and services (189), since these programs were not separate budget activities in 1974.

** - Excludes some 700 staff years of Audit and Collection employees detailed to this activity during filing season.

Reductions in executive direction, internal audit and other support activities reflect overall reduction in the size of the Service. The budget provides for processing the rising number of tax returns filed each year, but with tight constraints

overall on related data processing operations. While the reduction in Collection personnel is substantial--almost 10%--more than half is accounted for by completion of a special inventory reduction effort in 1975 and 1976. While Taxpayer Service is reduced 4% from the FY 1976 level, it is 20% over the 1975 level. This budget will allow assistance to an estimated 40.2 million taxpayers, as compared with 41.9 million in 1976 and 41.0 million in 1975. Despite a reduction of 520 average positions in Audit, total returns examined are expected to increase about 10% in FY 1977 due to a substantial increase in the number of routine audits processed in the IRS service centers and a slight decrease in comprehensive audits in IRS district offices. Average employment for tax fraud activities is reduced some 9.5%, reflecting in part the overall reductions in IRS employment and in part, a closer scrutiny of staff years devoted to special investigative efforts that have not been exclusively related to tax administration. Fluctuations in the taxpayer conference activity are directly related to changes in the level of audit activity. Personnel resources in employee plans will concentrate on processing a substantial part of the anticipated surge of employee pension plans to be filed during 1976 and 1977 under provisions of the Employee Retirement Income Security Act of 1974.

Executive Office Employment

The Executive Office of the President performs a variety of functions that will be continued in 1977. The following table presents the full-time, end of year employment totals for each of the offices over the three year period 1975-1977.

Employment Full-Time

	<u>6-30-75 Actual</u>	<u>6-30-76 Estimate</u>	<u>9-30-77 Estimate</u>
White House Office	534	500	485
Executive Mansion and Grounds	78	82	82
Domestic Council	32	40	40
National Security Council	72	72	70
Office of the Vice President	30	30	30
Office of Management and Budget	603	660	640
Office of Federal Procurement Policy	0	22	26
Council of Economic Advisers	35	46	39
Citizens Advisory Committee on Environmental Quality	1	1	1
Council on Environmental Quality	51	44	40
Council on International Economic Policy	28	29	21
Council on Wage and Price Stability	37	44	42
Office of Special Representative for Trade Negotiations	45	45	49
Office of Telecommunications Policy	61	48	41
Total	1,607	1,663	1,606

In 1977, employment will be reduced to 1975 levels for these ongoing functions. Both 1976 and 1977 totals reflect the additional 24 positions that were transferred to the Office of Management and Budget and the Office of Federal Procurement Policy by the Congress when it recently abolished the GSA Office of Federal Management Policy.

The 1976 and 1977 totals will be increased by 30 positions when the President's proposed legislation to create an Office of Science and Technology is enacted. This will bring the 1976 level to 1,693 positions and the 1977 level to 1,636 positions.

New York City Seasonal Financing Fund

Public Law 94-143 authorizes the Treasury Department to make short-term loans to the city through June 30, 1978, from the New York City Seasonal Financing Fund. The amount of loans outstanding may not exceed \$2.3 billion at any one time, and must be repaid within the year borrowed. These loans will facilitate New York City borrowing during periods when local expenditures exceed revenues and will be repaid when most local tax revenue is received, usually between April and June. New York City will pay into the General Fund of the Treasury interest at the rate of 1% above Treasury borrowing rates.

As provided in Public Law 94-143, the outstanding loans will be sold before the end of the Federal fiscal period to the Federal Financing Bank; hence, they will not be reflected as outlays in the budget.



Regulatory Agencies

For 1977, the President's budget for the ten independent regulatory commissions reflects his concern for needed reforms in the substance and process of Federal regulation. His recommendations include reprogramming existing personnel (and in some cases adding resources) in order that the agencies can better accomplish four priorities: (1) better analysis of the economic consequences of regulations; (2) reduction in delays of regulatory proceedings; (3) improved consumer representation; and (4) greater emphasis on areas where competition can supplement or replace regulation. Each agency is discussed in more detail in the following paragraphs.

Civil Aeronautics Board

The CAB operational budget for 1977 is \$21.7 million, about \$1.8 million over 1976. The CAB has indicated that it will pursue major reform of air carrier economic regulation in 1977. The budget contains a staff increase of 29 positions and the reprogramming of present resources to priority regulatory reform activities. Principal reform initiatives will include the modernization of Board procedures to minimize procedural delays, review and evaluation of ratemaking criteria such as load factors and rate of return, evaluation of air carrier subsidy and service to small communities, and improved analysis and research for examination of agency policies and operations.

Commodity Futures Trading Commission

The CFTC budget for 1977 is \$11.2 million, the same as in 1976. At the same time its end-of-year employment ceiling (FTP) for 1976 is 450 which is 2% above the current staffing level but 29 below the expected level on June 30, 1976. These reductions from projected levels were made because the Commission has not demonstrated a need for more resources. The Commission came into being April 21, 1975 (replacing the Commodity Exchange Authority). Its staffing pattern for 1976 indicates that it will not reach its originally assigned ceiling in the current year and therefore ought to reexamine its staff requirements before requesting additional personnel.

Consumer Product Safety Commission

The 1977 budget maintains the President's original 1976 request level for CPSC. In the light of substantial increases in 1975, this resource level is sufficient to enable CPSC to make progress towards its essential objective of reducing the unreasonable risks of injury from consumer products. For 1976, a rescission of \$5 million has been proposed to reduce the CPSC appropriation to the President's request level.

Federal Communications Commission

The FCC program for 1977 will increase by 19 positions over program levels for 1976.

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These increased resources will be devoted to further implementation of the Commission's automated data processing system--in its fourth year in 1977. This effort is a major part of the agency's regulatory reform program and is intended to speed up processing time for applications, license changes, and renewals for approximately six million broadcast and citizen band licenses. By the end of 1977, the FCC should show increased productivity in many processing activities. This will improve public service and free existing FCC resources for other, more important tasks.

Federal Maritime Commission

The program level for the Federal Maritime Commission (FMC) will be essentially the same in 1977 as it is in 1976. The FMC is reviewing its enabling statutes and administrative processes to determine where regulatory improvements might be made.

Federal Power Commission

The 1977 budget for the Federal Power Commission provides a staff increase of 60 positions and additional funding of \$4.8 million over the 1976 levels. FPC's responsibilities for managing reduced supplies of natural gas are growing in complexity and importance. Staff increases will enable the Commission to investigate and manage diminishing interstate gas supplies more effectively. The additions will also help avoid delays in the availability of new natural gas from Alaska and alleviate a growing backlog in FPC's hydroelectric licensing work. Further, the President's 1977 budget includes additional funds to develop and improve FPC's Regulatory Information System. The system will enhance FPC's productivity by simplifying procedures under which companies report data and generally streamlining the flow of regulatory paperwork.

Federal Trade Commission

The budget request for the FTC stresses its antitrust enforcement responsibilities. Thirty new positions are proposed to supplement existing antitrust staff. Outlays will rise from \$46.9 million in 1976 to \$52.6 million in 1977, with most of the increase attributed to expanded antitrust enforcement.

Interstate Commerce Commission

The ICC proposes to pursue major reform of its regulatory processes in 1977 with a net reduction in personnel levels. The reprogramming of resources to priority reform activities and modernization of surface transportation regulatory practices will enable the Commission to effect meaningful reform and modernization of surface transportation economic regulation. Principal reform activities are expected to include implementation of procedural actions to expedite formal case processing, development of a permanent planning capability, improved costs and benefits analysis, emphasis on expanded general rulemaking to reduce time consuming case-by-case adjudication, assessment and evaluation of the compliance program, and examination of agency policies and operations.

Nuclear Regulatory Commission

Funding for NRC will increase substantially because of the important role which NRC plays in ensuring that nuclear power continues to be a safe and environmentally acceptable means of generating electricity. The United States needs additional nuclear power plants in order to achieve more energy independence from foreign suppliers and to provide consumers with cheaper electricity than alternative sources can provide. The additional resources for NRC will help enable the U.S. to achieve the benefits of nuclear power by assuring adequate attention to the problems of safety, environmental effects, and safeguarding nuclear materials against theft.

The NRC 1977 budget will permit continued progress in reducing the time required to issue nuclear power reactor construction permits. In the near term the Commission intends to reduce the average time for license approvals from 21 months to 16 months, and has established a near-term goal of 14 months. NRC's inspection program will be expanded to keep pace with the growth in the number of power reactors in operation or under construction. Moreover, additional inspectors will be provided for the nuclear safeguards and materials inspection function.

The 1977 budget provides for a 50% increase in outlays and a 35% increase in staff for the Nuclear Materials Safety and Safeguards program. This program is responsible for designing and implementing NRC's safeguards and nuclear materials licensing program. A 23% increase in outlays for NRC's regulatory research program (confirmatory assessment) is also projected. Within this program, large increases are provided for the high priority reactor safety research effort and further research on safeguards, fuel processing, storage, transportation, and disposal.

Securities and Exchange Commission

The budget provides for 57 more full-time permanent positions in 1977 than 1976 to enable the SEC to implement the Securities Acts Amendments of 1975. Additional funds are also included for SEC support of the National Market Advisory Board. At the same time these increases are taking place, the Commission will be taking steps to manage better its existing resources: reallocating positions to high priority programs, funding mandatory price increases within the current 1976 appropriation and initiating management actions intended to permit future reductions in employment subsequent to 1977.

General Revenue Sharing and General Purpose Fiscal Assistance

Since 1972, the Federal government has provided fiscal assistance to State and local governments with a minimum of red tape and administrative expense through General Revenue Sharing.

The present, five-year authorization for General Revenue Sharing will end December 31, 1976.

The record shows that the program has been highly successful. Already, of the \$30.2 billion authorized, more than \$23.5 billion has been paid to nearly 39,000 states, counties, cities, towns, townships, Indian tribes and Alaskan native villages. The money is allocated equitably, according to formulas set forth in the law, using data which are provided by the U.S. Bureau of the Census and reviewed by the recipient governments themselves. The funds are paid quarterly, in predictable amounts.

These funds have done much to strengthen the viability of our Federal system of Government, a system predicated upon the shared exercise of powers and responsibilities. Revenue Sharing combines the efficiency of the Federal revenue raising system with the experience and the accountability that comes from allowing locally elected governments to set priorities for their own States and communities. It has been the foremost of a number of recent initiatives to reform Federal aid to States and localities so that the governments in our system can work more effectively together to meet the needs of our citizens.

When support was growing for the enactment of the current revenue sharing program, our State and local governments were struggling with inadequate and regressive tax resources to meet the mounting demand for services being placed upon them. While Federal categorical aid programs of various types were available, they did not provide a help for many of the problems facing local governments. Federal grants often did not go to support basic services, such as sanitation or fire protection, where help was often needed. At the same time, the then available Federal aid programs had the effect of making recipients adjust their own priorities to areas where grant money was available. An additional burden often present was the need to match the Federal contribution with State and local funds. These characteristics of aid programs produce a stifling effect on the creativity and accountability of State and local governments. In enacting General Revenue Sharing, Congress wisely concluded that a new type of generalized, "no-strings" Federal assistance was needed to get us back on the road to a sounder Federalism. The revenue sharing funds distributed over the three years the program has been in existence have helped the 50 States and

nearly 39,000 local communities maintain vital public services and stabilize the crushing burdens of taxes upon which they must depend as important sources of their own revenues.

The Administration has proposed extending the revenue sharing program for 5 3/4 more years. The 3/4 year interval is designed to take into account the forthcoming transition to a new October Federal fiscal year. The program would next expire in September 1982. To permit State and local governments to properly plan their FY 1977 budgets, it is important that Congress act soon on this legislation.

The legislation which President Ford submitted to Congress in April, 1975 would continue to provide \$150 million annual stairstep increases in funding level. The \$150 million increase which the existing program provides for its final six-month entitlement period (July through December 1976) would be spread out to cover a full twelve months. In effecting this change, the Administration's proposed legislation authorizes that \$1.626 billion be distributed for the period beginning July 1, 1976, and ending September 30, 1976, and that \$6.542 billion be distributed during the fiscal year beginning on October 1, 1976. The level of funding increases by \$150 million for each of the following fiscal years through that beginning on October 1, 1981.

Over the 5 3/4 years during which the new program is to run, this level of funding would result in a total distribution of \$39.85 billion, plus a non-contiguous States' allowance of \$27.5 million. The \$150 million stairstep increases represent approximately a 2.4% annual increase in funding at the present level of the program. Measured another way, by FY 1982 the amount of revenues shared will have increased by \$937 million over the current level of payments.

The President's proposal retains the present, uncomplicated structure of the General Revenue Sharing program. State governments would continue to receive one-third of the total amount allocated for each period; and the remainder would continue to be allocated among units of local government. Only one modification in the allocation formula has been suggested: an increase in the maximum constraint imposed upon allocations to local governments. Whereas the law now limits the amount a local government can receive to 145% of the average local statewide per capita allocation, the President has recommended increasing this limit to 175% at the rate of six percentage points per year. This would permit additional funds to flow to some larger, urban areas, with little net dollar loss to the few places which now benefit from the effect of the constraint.

Improvements in the existing Act have also been proposed which would clarify the nondiscrimination provisions of revenue sharing law and require that opportunities be provided for citizens to participate in decision-making with respect to uses of the money.

General Revenue Sharing is by far the least expensive to administer of the hundreds of Federal fiscal assistance programs now in existence. This \$30.2 billion, five-year program is currently being administered by a total staff of approximately 100 persons at an annual operating cost of \$3 million.

FEDERAL PAY

Background

Historically, the pay of Federal civilian white-collar employees and of military personnel lagged behind salaries for comparable work in the private sector. The Pay Comparability Act of 1970 was designed to bring the salaries of Federal white-collar employees up to the same levels as comparable private sector rates. Due to that law, virtually full comparability now has been achieved except in the case of certain executive, legislative, and judicial salaries which are limited by other statutes. During the past six years, pay raises have increased the salaries of Federal white-collar employees by an average of 6.3% each year. Military pay rates have been adjusted by the same average percentage given to white-collar employees under the General Schedule.

Unlike salaries for white-collar employees and military personnel, which are set on a nationwide basis, the pay rates of Federal blue-collar employees (such as carpenters, mechanics, and laborers) are set under a different system. This "Federal Wage System" provides for comparability between Federal and private sector pay rates in the same locality and consists of 137 different locality schedules established at varying times on an annual basis. Certain features of the current law governing this system have resulted in Federal blue-collar employees receiving rates which exceed those paid their private sector counterparts. For example, the present legal requirement that each grade have five steps, with the second step equated to the prevailing private sector rate, means that Federal blue-collar employees in the upper steps are paid more than comparable local rates.

Over the years, criticisms have been made and questions raised (e.g., by the General Accounting Office) concerning some of the methods currently used to measure comparability for both white- and blue-collar workers. Accordingly, in his 1976 Budget Message, the President announced his intention to establish a high-level advisory group to conduct a comprehensive review of the major Federal civilian employee compensation systems and to present to him policy recommendations on how the Federal Government could best determine the appropriate levels of total compensation for its employees.

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President's Panel on Federal Compensation

In June 1975, the President's Panel on Federal Compensation was established. It was chaired by Vice President Rockefeller. The primary objective of the Panel's review was to ascertain any needed changes in Federal compensation policies and practices, keeping in mind the goal of a system which is fair and equitable both to Federal employees and to the public and which, at the same time, enables the Federal Government to attract and retain a capable workforce.

After careful study, the Panel concluded that the basic principle of comparability with the private sector is the correct basis for setting Federal salaries, but they also recommended a number of ways in which the application of this principle can be improved. These include splitting the General Schedule (under which white-collar employees are paid) into two schedules, in order to more closely approach comparability; determining salaries for clerical and technical employees on a locality basis; further exploring the feasibility of comparing pay and benefits on a total compensation basis; and using the Advisory Committee on Federal Pay in ways that will encourage a more cooperative relationship between labor and management representatives in the comparability-determination process.

Presidential Administrative Action

The President has approved the Panel's recommendations, in broad outline, and has directed that steps be taken to work out specific proposals. Some of the recommendations involve administrative changes in the way white-collar pay rates are compared with those in the private sector. Decisions on the precise nature and extent of changes in the methods used will depend, in part, on recommendations of the President's pay agent, the Federal Employees Pay Council, and the Advisory Committee on Federal Pay later this year. For example, it has been decided that the pay agent will broaden the occupational base of the wage survey by including secretaries and computer operators. The agent will be working with the Pay Council in the coming months on the weighting of pay rates by employment distribution and, for purposes of arriving at budget estimates, it has been assumed that a decision on weighting methods will be made prior to the October 1976 pay adjustment.

Legislative Changes

The President's Panel on Federal Compensation also recommended reform of those aspects of the law governing wage board pay rates that result in blue-collar Government workers earning more than comparable non-Government employees. The President will propose legislation to achieve this purpose. The budget proposals include the effect of this legislation and estimate a 3.4% pay adjustment in the wage board system for FY 1977. It should be noted that the estimates assume no employee will receive increases of less than 3%.

Work has begun to develop legislation necessary to implement other Panel recommendations. It is anticipated that such legislation will be submitted to the Congress early in the current session.

Economy and Pay Limitations

It is clear that, in the months ahead, the President and the Congress will have to call upon all citizens for continued restraint in order to maintain economic stability. It would be inequitable and ineffective to issue such a call unless the Executive Branch had exercised a degree of economic restraint within its own house over those items which are within its control. A possible restraint on Federal salary increases is not intended to reflect adversely on the Government's esteem for its employees, but rather an overriding concern for the country and its citizens as a whole.

Full comparability pay at this time might be inconsistent with other efforts to strengthen the economy and bring inflation under better control. Thus, the President is considering ways to limit the size of Federal pay raises if it becomes necessary for the economic well-being of the nation and until such time as economic and budgetary objectives more nearly have been achieved. A final decision on whether pay will be restrained, and how, will be made by the President in the late summer after a review of the economic conditions at that time and of the recommendations of his pay agent, the Pay Council, and the Advisory Committee.

Impact on FY 1977 Budget

The budget assumes that pay increases in October 1976 will be limited to 5% and that no employee will get less than 3%. Each 1% increase in Federal pay rates above this estimate would raise the Federal payroll by approximately one-half billion dollars. A return to comparability is assumed in FY 1978. The total cost of pay increases for FY 1977, based on these assumptions regarding civilian and military pay, is about \$2.4 billion distributed as follows (in billions):

	<u>Defense</u>	<u>Other agencies</u>	<u>Total</u>
Civilian personnel6	.8	1.3
Military personnel ...	<u>1.0</u>	<u>*</u>	<u>1.0</u>
Total	1.6	.8	2.4

*Less than \$50 million.

Note: figures do not add due to rounding.

Budget Document Cross References

Further information on these matters can be found in Part 5 of the Budget, under "Allowances," and in Special Analysis H.

Federally-Administered Retirement Systems

The Federal Government operates five major retirement systems:

- Social Security
- Railroad Retirement
- Civil Service
- Foreign Service Retirement
- Military Service Retirement

The Administration is proposing improvements in all those systems.

Summary of budget proposals

Social Security

The Administration is proposing a social security tax increase of 0.3% for both employer and employee, effective January 1, 1977. This will overcome the immediate problem of trust fund annual outgo exceeding trust fund annual income. For the average individual worker, this will result in an increase in 1977 social security taxes of \$22.50. The added tax will increase trust fund revenues by an additional \$3.5 billion in 1977.

The Administration is also proposing legislation to cure a flaw in the present method of computing social security benefits. If left alone, this flaw would eventually result in retirement benefits higher than pre-retirement wages. The Administration proposal will keep in effect the same ratio between retirement benefits and pre-retirement wages that exist today.

The Administration is proposing three items of legislation affecting benefits, which will save \$826 million in FY 1977:

- Prohibiting a retroactive lump-sum payment, if this would permanently reduce a beneficiary's monthly check;
- Making the retirement test a solely annual test, by dropping the present monthly test; and
- Beginning a phase-out of student benefits, with support of needy students to come from education programs.

Federal Civilian and Military Retirement

These systems all increase benefits to account for the change in the Consumer Price Index (CPI), as does social security. They all contain, however, an extra 1% add-on to the change in the CPI; this feature progressively over-compensates beneficiaries for increases in the cost-of-living. The Administration is proposing legislation to remove this feature from all the systems.

Social Security

The social security system, which provides retirement, survivors, and disability benefits to covered workers, is the largest social insurance program in the world. Benefits are financed from contributions made by employers and employees to the trust funds. Under current law, the following payroll tax rates apply to employer and employee on the first \$15,300 in wages:

OASI	4.375%
DI	.575%
HI	.900%
Total Social Security	5.850%

Since both employer and employee pay this rate, the total tax rate is 11.7%.

Social security covers approximately 90% of employment in the United States. The major groups not covered are: State and local employees, railroad workers, and Federal military and civilian employees. In the current year, social security benefits totaling \$71.3 billion will be paid to 32.1 million retired or disabled workers and their dependents and survivors.

In general, a worker becomes insured for social security purposes by earning (and paying social security taxes on) a minimum of \$50 per quarter for 40 quarters. An insured worker's survivor and dependents are eligible for benefits based upon the worker's earnings.

The Near-Term Financing Problem

The most immediate problem facing the social security trust funds is that they are paying more out in benefits than they collect in social security taxes from current workers. As a result, the trust funds' assets (generated from cash surpluses from earlier years) are shrinking. Under present law, the social security system will, if current trends continue, use up trust funds resources by the early 1980's.

In order to assure that trust fund resources are not depleted further, the Administration is proposing a tax increase of 0.3% on both employees and employers, effective beginning January 1, 1977. On the average, this will result in a \$22.50 increase in social security taxes deducted from an individual's wages in 1977.

In addition, the Administration is recommending three other legislative changes to the OASDI program that would have an immediate impact on its growth, with expenditure reductions of as much as \$.8 billion in fiscal year 1977. They are as follows:

- Prohibit lump-sum retroactive payment when this would permanently reduce a beneficiary's monthly check;
- Remove the monthly retirement test, thus applying the retirement test solely on an annual basis; and
- Phase out students' benefits.

The Longer-Term Financing Problem

Solving the near-term problem discussed above will not completely eliminate a second "solvency-crisis" for the social security system after the 1980's. While they may seem a long way off, events taking place today are lending to that problem in the future.

In short, today's working people are earning claims on the social security system--that is, buying promises of future retirement benefits by paying taxes today--which the trust

funds will have enormous difficulty in paying. This is caused primarily by a low birth rate which, if sustained, will mean a lower ratio of workers-to-retirees in the year 2000 and thereafter. Simply put, while we have 3 workers paying social security taxes to support each retiree in 1975, in 2000 there will only be about 2 workers per retiree. A lower ratio results in the need for higher payroll taxes per worker since fewer of them are working to support each retiree.

While there is little we can do about the birth rate, we can try to see that the retirement benefits for today's working men and women are kept within reason and within the ability of the labor force of the next century to pay. A substantial portion of the projected deficiency could be avoided by removing a flaw in the current method used to compute social security benefits. If left unchanged, it would more than compensate future beneficiaries for increases in wages that occur between now and the time they retire. It even could lead to the situation where many future beneficiaries could receive a higher income from social security than they previously had obtained from working. The Administration is proposing to eliminate this flaw by maintaining for all future beneficiaries the same ratio of benefits to pre-retirement earnings that exists for people who retire today. By making this change, roughly half of the projected long-term actuarial deficit would be eliminated.

Civil Service Retirement

The civil service retirement and disability system was created to provide annuities for eligible Federal employees and their survivors. Membership in the civil service retirement system consists of approximately 2.7 million employees. As of June 30, 1976, about 1,472,000 retired employees and survivors will receive monthly benefits totaling over \$8.0 billion annually. The system is financed by matching contributions from the government and from employees. Benefits are based upon years of service and the average of the highest 3 years of earnings.

Annuities under the CSC retirement system are adjusted to provide cost-of-living increases to reflect increases in the Consumer Price Index (CPI). Whenever the CPI increases

by 3% above the base month and remains at that level or higher for 3 consecutive months, the annuity is increased by the highest percentage reached during the 3-month period, plus 1%, effective on the first day of the third month after the 3-month period, with the increase actually paid on the first of the following (sixth) month. The 1% add-on was enacted in 1969 to compensate for the lag between price increases and annuity increases. It is neither a timely nor an accurate method of maintaining the purchasing power of an annuity over time. It undercompensates slightly in the short run and progressively over-compensates in the long run. In the long run, in other words, this provision provides increases in annuities which are larger than the increases in the CPI.

Vast increases have occurred in payment to Federal retirees during the last 5 years. The average civil service retirement payment to annuitants has risen from \$283 per month (June 30, 1970) to \$528 per month (June 30, 1975). Elimination of the 1% add-on will save \$69 million in 1977.

Military Retirement

The military retirement system is noncontributory, and is financed by appropriations to the Department of Defense. In the current year, benefits of \$6.9 billion dollars will be paid to 1.1 million retired military personnel.

Benefits are based upon years of service and basic pay immediately prior to retirement. A minimum of 20 years of service is required for eligibility for retirement and the maximum annuity can be no higher than 75% of basic pay immediately prior to retirement.

The average payment to military annuitants has risen from \$372 per month (June 30, 1970) to \$452 per month (June 30, 1974).

The military retirement system contains the same 1% add-on as the civil service retirement system. The Administration is proposing legislation to eliminate the 1% bonus from the military retirement system as well as the civil service retirement system. This will result in outlay savings of \$215 million in 1977.

Railroad Retirement

The railroad retirement system covers railroad workers, and is the only federally-administered retirement system for a specific industry's employees. Railroad retirement benefits are composed of two tiers: the first is equivalent to a social security benefit and is financed in the same manner, i.e., employers and employees pay a total of 5.85% each on the first \$15,300 of earnings. The second tier, equivalent to a staff pension, is financed by a tax on employers of an additional 9.5% of payroll. In addition, a \$250 million annual payment is made from appropriated funds to cover the cost of the windfall portion of benefits received by persons covered under the railroad retirement and social security systems. This windfall benefit will be phased out by the year 2000, and the appropriated funds payment will cease. In the current year, \$3.5 billion in retirement, disability and survivors benefits will be paid to slightly over 1 million recipients. Under the Administration's proposal to increase the social security tax by 3% each for employer and employee, the tax rate on railroad employers and employees to finance the first tier of benefits will also rise by .3% to 6.15% each in January 1, 1977.

Foreign Service Retirement

The Foreign Service retirement system, generally quite similar in operation to the civil service retirement system, covers approximately 8,000 employees of the Department of State, the United States, Information Agency, and the Agency for International Development. In the current year, \$66 million will be paid under this system to Foreign Service annuitants, who will number approximately 4,500 on June 30, 1976.

The Foreign Service retirement system contains the same 1% bonus feature as the civil service and military retirement systems, and the Administration is proposing legislation to eliminate that feature. This will reduce outlays by \$1 million in 1977.

Drug Abuse: Prevention, Treatment, and Law Enforcement

Drug abuse is a tragic national problem which strikes at the heart of our national well-being. Counting narcotic-related crime, addicts' lost productivity, criminal justice system costs, and treatment and prevention program as major items, estimates range from a conservative \$10 billion upwards to \$17 billion a year. In addition, the costs in terms of ruined lives, broken homes, and divided communities is incalculable.

Accordingly, the highest priority has been given to eliminating this threat over the past half decade, with total Federal expenditures growing from less than \$100 million to over three quarters of a billion dollars for a comprehensive program of prevention and treatment, law enforcement, and international control. Real progress was made, but by early 1975, it was clear that conditions were worsening and that gains of prior years were being eroded. For example, "street" availability of heroin measured by price and purity, was increasing. Waiting lists for treatment existed again, after almost having disappeared. Drug related deaths and drug related appearances in hospital emergency rooms were increasing. Drug related crimes were on the upsurge.

Deeply concerned about this evidence of increasing availability and use of drugs, President Ford directed a high priority review of the entire Federal effort in drug law enforcement, treatment and prevention, and international control. He asked for a frank assessment of the extent of the problem and for detailed recommendations for making the Federal program more effective. The President has endorsed the resulting White Paper on Drug Abuse, and the numerous Federal agencies and departments involved in the drug program are moving rapidly to implement its major recommendations for minimizing the adverse effects and social costs of drug abuse.



The President's FY 1977 budget requests sufficient funds to implement all of the white paper's major recommendations. For example, in line with white paper recommendations, additional resources are provided for:

- the growing problem of amphetamine and barbiturate abuse. The white paper concludes that chronic, intensive, and medically unsupervised use of amphetamines and barbiturates ranks just behind heroin abuse as a major social problem, affecting several hundred thousand Americans. To respond, the budget requests funds for treatment demonstrations for abusers of these substances, and provides 20 new positions within the Drug Enforcement Administration (DEA) for

strengthened regulatory and compliance activities aimed at preventing diversion of amphetamines and barbiturates from licit production;

- additional community treatment capacity. Funds are included for the National Institute on Drug Abuse (NIDA) to fund at least 7000 new community treatment slots and to recover 1000 lost to inflation, thus providing Federally-supported community-based capacity to treat 102,000 individuals at one time. In addition, other managerial actions will ensure greater utilization of existing community mental health institutions for drug users, and the treatment capacity of the Bureau of Prisons, the Veterans Administration, and the Department of Defense for their specialized clientele will be maintained;
- better targeting of law enforcement effort at high level traffickers. The Drug Enforcement Administration will add 82 positions for improved intelligence and laboratory analysis aimed at supporting the existing investigation and enforcement effort. In addition, research will be focused on improving our capability to monitor drug abuse trends, and on developing tools and techniques to improve the productivity of investigations and agents;
- improve job opportunities for ex-addicts. Additional funds are provided for a joint HEW/Labor program to investigate ways to provide employment opportunities for persons in and completing treatment, so that the distressing situation of returning to the same conditions which led to drug use can be avoided. In addition, other managerial actions should ensure improved application of our vocational rehabilitation services to drug users.

These specific budget increases are relatively modest because it was the unanimous conclusion of the task force which prepared the white paper that the most significant progress could be made in the drug program through (1) more selectivity and targeting in the use of the current \$750 million budget; (2) better intra- and inter-agency management; and (3) more effective mobilization and utilization of all the resources available in the Federal Government, State and local governments, the private community and from foreign governments engaged in the world-wide effort to combat drug trafficking. In line with this concept, the budget provides for:

- continued material and technical support for other nations involved in the fight against drug trafficking and for the training of foreign narcotic agents;
- continuation of the DEA Task Force Program which capitalizes on joint Federal and local efforts, and continued training and laboratory support for State and local officers;
- a major multi-year program within the National Institute on Drug Abuse to evaluate the outcome of various types of treatment.

In addition to these budgetary actions, existing resources are being retargeted to focus law enforcement efforts on high level drug traffickers and to ensure that treatment is provided to those individuals suffering most from drug abuse. Other actions underway should ensure increased interface between the treatment and criminal justice systems to assure that apprehended drug users are identified and provided opportunities for treatment. In the area of inter-agency coordination, officers of the Drug Enforcement Administration, the Immigration and Naturalization Service, and the U.S. Customs Service and their respective cabinet departments have prepared and signed joint "Memoranda of Understanding" identifying operating guidelines which should end jurisdictional disputes and improve cooperation between them.

In the international area, the President has spoken personally to Presidents Echeverria of Mexico and Lopez-Michelsen of Columbia and with Prime Minister Demirel of Turkey in an effort to strengthen cooperation among all nations involved in the fight against illicit drug traffic. Attorney General Levi has recently discussed mutual drug control problems with the Attorney General of Mexico, and the President has directed Secretary of State Kissinger to express to the Mexican government his personal concern that we explore opportunities for improved control.

The President has also directed the Domestic Council Drug Abuse Task Force which prepared the white paper to reconvene and prepare recommendations for improving our ability to control drug trafficking along the southwest border.

The President has also taken steps which require Congressional approval before they come into force. For example, he has proposed a mandatory minimum sentence for drug traffickers. He has urged Congress to ratify the Convention of Psycho-tropic Substances, so the United States can fulfill our obligation to other nations of the world to see that strong international controls exist for all drugs. Finally, the President has stated that he will send to the Congress a comprehensive message on drug abuse establishing a framework for broad government responses in the weeks ahead.

EFFORTS TO INCREASE OPERATING EFFICIENCIES

Federal agencies are making a concerted effort to take actions to increase their operating efficiencies and thereby reduce program costs.

Following are some examples of proposed agency efforts to increase operating efficiencies. Because these examples address specific efforts within an agency, they do not necessarily explain the overall changes in agency employment levels.

Agriculture

- The Department of Agriculture plans to eliminate 700 overhead positions through improved management procedures and greater use of computer processes for administrative purposes.
- The proposed consolidation of categorical grant programs to feed needy children will free 320 positions in the Food and Nutrition Service and will result in improved program administration.

Commerce

- Consolidation of weather observation activities and improvements in weather analysis and prediction techniques are anticipated to increase productivity that will result in savings in the National Oceanographic and Atmospheric Administration. Similar productivity increases are expected in processing patent applications at the Patent Office and in producing statistical data series by the Bureau of the Census. Combined, these efforts will permit a reduction of 191 full-time permanent positions.



Defense

- Proposed actions to adjust fringe benefits and to correct inequities in the current military compensation system will save over \$200 million in 1977 and \$400 million in 1978.
- Civilian employment will be reduced through consolidation of functions. Estimated savings are \$100 million in 1977 and \$400 million in 1978.

65

- The Department of Defense plans to reduce the amount of administrative travel 5% below 1975 levels. In addition, permanent change of station travel is to be reduced by implementing policy changes to (1) permit reassignment overseas from Hawaii, rather than requiring an intermediate tour in the continental United States; (2) create a limited home basing program that allows dependents to remain at a home base during unaccompanied overseas tours; and (3) require prescribed average overseas tour lengths avoiding shortened tour periods. Program savings are estimated to be about \$250 million in 1977.
- Construction programs for 1977 will be limited to those essential for mission performance. The reduced family housing program, which is being held to a lower level than was appropriated by Congress in 1976, reflects more reliance on available housing in the local community. Estimated program savings are about \$900 million in 1977.
- Efficiencies are proposed in training and proficiency flying programs, including expanded use of simulator and other training aids that allow substantial fuel savings. Estimated savings in 1977 are about \$200 million.
- Favorable 1975 recruiting experience permits lower levels in future enlistment bonuses. Reductions proposed will save about \$30 million in 1977.

Health, Education, and Welfare

- The Social Security Administration (SSA) will increase its productivity by 3% in 1977, enabling SSA to handle its work with 2,350 fewer staff-years than if it operated at 1976's productivity levels.
- The proposed consolidation of 27 separate grants for education into a single block grant will reduce current administrative costs associated with each of the individual programs. In addition, the block grant will permit States to use funds according to their own needs and priorities in the area of education.

- A health block grant will be proposed to consolidate medicaid and 15 narrow categorical health programs that provide funds for various health services groups, communities, or delivery mechanisms. As in the case of the education block grant, this proposal will result in a reduction of administrative program costs and will also eliminate about 2,400 positions.
- Increased productivity and 46 additional positions will help the Guaranteed Student Loan Program to intensify its collection activities and meet its 1977 collection target of \$33 million.

Housing and Urban Development

- Significant reductions are envisioned in community planning and development staff due to the replacement of categorical programs by the more efficient Community Development Grant Program.
- Productivity increases are projected in the mortgage insurance, property management, and other activities of the Department.

Justice

- The Federal Bureau of Investigation assumes a 1% increase in agent productivity to (1) achieve a more appropriate balance between workforce and anticipated caseload and (2) assure continued caseload selectivity.
- Productivity gains in the Immigration and Naturalization Service will result in reduced outlays for port-of-entry inspections and background investigations of immigrants seeking U.S. citizenship.
- Overtime costs will also be reduced through productivity increases and management improvements.

Labor

- The Employment Service anticipates a savings of 534 staff-years as a result of increased efficiency and reduction of administrative and management support activities. Estimated savings of \$53 million are expected in 1977.
- Based on experience and Federal-State plans to improve procedures, the Unemployment Insurance Service expects a 3% increase in productivity for the base staff which will save about \$11 million. In addition, efforts to automate certain procedures in the unemployment insurance service in a limited number of States will also result in savings in future years.

Transportation

- Technological advances have enabled the Coast Guard to automate previously manned lighthouses. Maintenance and watchstanding personnel requirements are decreased by about 75%. In 1977, 30 military positions will be eliminated as a result of this program.
- As a result of automation efforts in the air traffic control operation, the Federal Aviation Administration (FAA) is able to moderate the rate of growth of the air traffic controller workforce required to ensure a safe and efficient air transportation system.
- A significant portion of FAA's facilities and equipment program will be directed toward replacing equipment and modifying facilities where the maintenance workload has been excessive. This approach is cost effective in that the workload demand for maintenance staff is lessened.

Treasury

- The Internal Revenue Service plans increased productivity of 2% for staff devoted to the following functions: data processing, collections, taxpayer services, audit, tax fraud, taxpayer conferences, and review of employee retirement plans.

- The U.S. Customs Service plans on a 2.4% staff reduction based on increased productivity. This reduction should not adversely affect the processing of expected workload or the intercepting of drugs and other contraband.

Nuclear Regulatory Commission

- Continued progress is expected in reducing the time required to issue a nuclear power reactor construction permit. The average time will be reduced from 21 months to 16 months during 1977. The goal is to reduce this time period to an average of 14 months.

National Foundation on the Arts and the Humanities

- The Foundation expects to process 14% (or 3,500) more applications for assistance during 1977. This will be accomplished through increased productivity and with little or no increase in administrative costs.

National Aeronautics and Space Administration

- NASA proposes a reduction of 500 civil service positions and related reductions of approximately 900 staff-years of contractor support effort, as the result of an extensive "institutional assessment" designed to clarify the roles and missions of NASA field centers. When completed in FY 1979, the manpower adjustments are projected to result in savings of about 3,700 staff-years -- an 8% reduction below the 1976 employment levels.

Jan. 17, 1976

FY 1977 Budget

Indian ProgramsBudget Summary:

<u>Agency/Program</u>	1976		1977		% Change 76-77
	Outlays \$ in M	% of Total	Outlays \$ in M	% of Total	
1. Bureau of Indian Affairs	1,097	69	1,048	68	-4
2. Indian Health Service	339	21	348	23	+3
3. HEW/Office of Native American Programs ..	39	3	39	3	--
4. Commerce/Economic Development Admin.	21	1	17	1	-19
5. Dept. of Labor/Comprehensive Employment and Training Act, Title III	48	3	50	3	+4
6. HEW/Indian Education Act	42	3	34	2	-19
Total	1,585	100	1,536	100	-4

Program Summary:1. Bureau of Indian Affairs (Interior)

- A broad range of public services is provided to approximately 580,000 Indians and Alaskan natives including management of their lands under laws, treaties, and trust obligations.

2. Indian Health Service (HEW)

- Provides the primary health resource for 518,000 Native Americans (most, but not all, of those served by the Bureau of Indian Affairs) through 150 hospitals and health centers and over 300 health stations.

3. Office of Native American Programs (HEW)

- Successor program to Office of Equal Opportunity programs for Indians.
- Supports special projects contributing to social and economic development of Native Americans.

4. Dept. of Labor/Comprehensive Employment and Training Act of 1973 (CETA)

- Section 302 establishes a nationally-administered Indian Manpower Program. The funds provided this program are a percentage of total amounts available for Title I of the same act.
- Authorized activities include on-the-job training, job referral, institutional training, public service employment, and other manpower services.

5. Economic Development Administration (EDA)

- Operates under the authority of the Public Works and Economic Development Act of 1965 (Public Law 89-136), wherein certain Federal or State Indian reservations qualify as redevelopment areas.
- Provides grants for planning and technical assistance for overall reservation economic development and individual project planning and grants for public works assistance to improve the reservations infrastructure in support of economic development.

6. US Office of Education/Indian Education Act (HEW)

- Provides financial assistance to local education agencies for supplemental education needs of Indian children.

Budget Policy Highlights:

- A new program of grants, training, and technical assistance for strengthening tribal government will be instituted by BIA in support of the Indian Self-Determination Act. An increase in budget authority of \$22 million is provided for this purpose for a total of \$33 million in 1977.
- Increases, though modest, are provided for operation of many BIA programs and activities, e.g. education, housing, and resources management, on which Indian tribes have expressed their priorities.

- Outlays for the Indian Health Service will rise, with an emphasis on ambulatory care and construction of hospitals, clinics, and sanitation facilities.

Reductions and deferrals:

- The 1977 total for BIA programs, however, is down about \$50 M. The largest decrease is in the payments under the Alaska Native Claims Settlement Act, which by law drops from \$70 M to \$30 M in FY 1977. Two other decreases are in uncontrollable trust fund outlays (\$13 M) and the planned use of most of the revolving fund in 1976.
- The BIA construction budget for 1976 reflects a deferral of \$10.9 M in budget authority for construction grants to public school districts in Indian reservation areas. This is being done in part as a means to restrain the growth in Federal outlays since this is a new program and in part because this program partially duplicates existing HEW programs providing assistance to public schools in reservation impacted areas.
- A rescission of \$15 M in 1976 budget authority for the Indian Education Act programs of the Office of Education is proposed, and the 1977 budget authority is set at the 1976 level after rescission. The \$15 M was the increase in enacted appropriations for 1976 over the \$42 M included in the President's budget for that year, and the rescission is proposed because it is believed that \$42 M is sufficient to achieve the purposes of this program.
- Reductions in funding for Indians in the Economic Development Administration programs is consistent with the overall reductions in these programs.

TRENDS IN FEDERAL CIVILIAN EMPLOYMENT

Total employment in the executive branch (excluding the Postal Service) between June 30, 1975 and September 30, 1977 is estimated to decrease by nearly 16,000 (from 2,106,400 to 2,090,500). With the exception of 1973, civilian employment is expected to reach its lowest level since 1966.

Federal civilian employment will be less than 20% of employment by all governmental units (Federal, State and local) as compared to more than 36% in 1947. As a percentage of the total employed labor force, Federal employment is projected at 3% in 1977; the lowest level since World War II. During the same period the percentage of State and local employees has risen steadily from 6 to 13 percent of the total employed labor force.

The commonly used and most meaningful employment measure is full-time permanent employment. The attached table displays, by major agency, full-time permanent employment in the executive branch from 1975 to 1977. (For additional information refer to Special Analysis H "Civilian Employment in the Executive Branch" U.S. Budget, 1977.)



SUMMARY OF FULL-TIME PERMANENT CIVILIAN
EMPLOYMENT IN THE EXECUTIVE BRANCH

Agency	As of June 30		As of Sept.	
	1975 Actual	1976 Estimate	30, 1977 Estimate	Change 1976-77
Agriculture	79,133	80,400	80,400	-----
Commerce	28,711	28,900	28,700	-200
Defense-mil.func.	954,721	930,700	924,000	-6,700
Defense-civ.func.	29,069	29,100	29,100	-----
HEW	129,285	135,000	128,900	-6,100
HUD	15,142	15,000	15,700	700
Interior	58,088	59,200	59,300	100
Justice	49,032	51,600	51,700	100
Labor	13,427	14,600	14,900	300
State	22,324	22,900	22,900	-----
Transportation	70,345	72,400	72,600	200
Treasury	108,138	113,500	110,000	-3,500
Energy Rsch & Dev				
Administration	7,457	8,300	8,400	100
Env. Protection Agen.	9,160	9,600	9,600	-----
GSA	36,400	36,800	36,000	-800
NASA	24,333	24,300	23,800	-500
VA	184,502	196,600	198,100	1,500
Other:				
AID	6,185	6,200	6,200	-----
CSC	6,670	6,800	6,900	100
FEA	2,978	3,200	1,800	-1,400
Nuclear Regulatory				
Commission	2,006	2,300	2,500	200
Panama Canal	13,768	13,800	13,800	-----
Selective Svc Sys	2,121	200	100	-100
SBA	4,127	4,300	4,400	100
Tennessee Valley				
Authority	14,084	15,100	15,500	400
U.S. Information				
Agency	8,662	8,800	8,800	-----
Miscellaneous	<u>37,484</u>	<u>40,200</u>	<u>40,200</u>	<u>-----</u>
Subtotal	1,917,352	1,929,800	1,914,300	-15,500
Contingencies	<u>-----</u>	<u>2,000</u>	<u>5,000</u>	<u>3,000</u>
Subtotal	1,917,352	1,931,800	1,919,300	-12,500
Postal Service	<u>558,311</u>	<u>542,600</u>	<u>543,600</u>	<u>1,000</u>
Total	2,475,663	2,474,400	2,462,900	-11,500

IMPROVING FEDERAL MANAGEMENT

Each year the Federal Government reviews its responsibilities and programs to seek improved methods of focusing Federal resources on their highest priority objectives. These reviews and studies have two principal aims: improving the effectiveness of Federal programs in achieving their intended aim; and providing better management to reduce the costs of Federal programs.

While many of the studies for 1977 have not yet been determined, the following is a representative sample of the major studies which are currently under way or proposed:

STUDIES OF OVERALL FEDERAL MANAGEMENT, ADMINISTRATION AND COMPENSATION

. Commission on Federal Paperwork: This 2-year study commission, with membership drawn from the Executive, Congress, and the general public, convened in October to develop methods of reducing the reporting burden imposed on the public by numerous Federal forms. The Commission's final report will be submitted in December, 1977.

. Privacy Protection Study Commission: This Commission, established by the Privacy Act of 1974, will examine the implications of government information gathering and recordkeeping on the privacy of individuals. The Commission will make recommendations for enhancing individual privacy in the future through better data management and computer security policies.

. Personnel Management Evaluations: The 1977 budget provides additional funds for the Civil Service Commission to expand the number of full audits and reviews of agency personnel management systems. These reviews which will focus on job classification practices and grade escalation are expected to result in more efficient agency personnel systems that will cost the government less.



. Implementation of Recommendations of the President's Panel on Federal Compensation: As part of the implementation of the pay panel recommendations, the Civil Service Commission will test through research the total compensation approach. Through this approach, the principle of comparability could be extended to include benefits as well as pay.

. Overhead Costs of Government: OMB has initiated a set of interagency working groups to develop methods for reducing government overhead and administrative expenses.

. Consumer Representation Plans: OMB and the Consumer Protection Agency are working with 17 Federal agencies to develop consumer representation plans, aimed at giving consumers a greater voice in the decisions of government which affect them, and development of better consumer education and information.

. Productivity Improvements: An interagency task group has developed a system to measure Federal government productivity. Further studies will be conducted to determine how government productivity can be raised. Cooperation with the new National Center on Productivity and Quality of Work Life is expected.

. Interagency Medical and Nonperishable Subsistence Supply Management Committee: This committee will establish a single system for Government-wide management of medical and non-perishable subsistence items for the Federal government. By eliminating duplication by executive agencies, the system will provide increased effectiveness at a lower cost to the Government.

. Federal Audiovisual Committee: This committee will develop and implement a policy to eliminate duplication of audiovisual products, services, equipment and personnel within the Federal government. This policy will also eliminate unwarranted government competition with the private sector in the acquisition of audiovisual services.

. Interagency Committee for Food Procurement: This committee will develop Federal marketing information techniques to permit effective planning by government agencies in their procurement of food products. Better planning will reduce the cost of food and facilitate the planning of meals by dietitians.

. Interagency Task Group on Procurement and Supply of Commercial Products: The purpose of this task group is to develop principles and guidelines for procuring commercial products competitively without the necessity of developing and using Federal specifications. The objective is to achieve greater economy and efficiency in the procurement, storage and distribution of commercial products.

. Interagency Task Group for Small Research and Development Firms: This task group will identify ways to insure better use of the high technology capabilities of small business firms. Specifically, it will develop techniques for increasing contract awards to small research and development firms so that the innovative and economical contributions of these firms to the Nation's technology base can be preserved.

. Interagency Federal Procurement Data System Committee: This committee will establish a system to collect, develop, and disseminate executive agency procurement data that satisfies the needs of the Congress, the executive branch, and the private sector. The system will provide government-wide statistics on the approximately \$66 billion expended annually for goods and services to meet the needs of the government.

. Grants Management Improvement Study: OMB is currently conducting a study to better distinguish between procurement and assistance-type relationships and to further streamline assistance programs.

. Joint Funding Study: OMB is working with a variety of Federal agencies to assure the effective implementation of the Joint Funding Simplification Act. Regulations governing the program will be promulgated in early 1976 and should facilitate the delivery of Federal support for multi-purpose projects.

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. Project Notification and Review Systems
Study (A-95): During FY 1976, OMB is planning a comprehensive evaluation of project notification and review systems which are designed to facilitate state and local government evaluations of federally assisted programs.

. Intergovernmental Information Systems: OMB is continuing to work with Federal agencies to improve the availability of information on grant programs to state and local governments. During FY 1976, this will include expanded reporting on projected budget changes, and more timely reports on grant award decisions.

. Assessment of Federal Field Coordination: OMB will undertake assessment of Federal field coordination systems including a comprehensive review of Federal Regional Councils.

. Quadrennial Commission on Executive, Legislative, and Judicial Salaries: As provided by public law, this commission will be appointed this calendar year to study and make recommendations to the President on the problem of "pay compression" for high Federal officials, whose salaries are often below those paid private sector executives with comparable or less extensive responsibilities. This commission will complete its report in time for the President to prepare recommendations to the Congress in January, 1977.

. Comprehensive Plan for Federal Statistics: All Federal statistical agencies with OMB leadership are working with advisory committees and policy advisory groups to determine needs for improved statistical programs and to identify low priority programs which should be discontinued. A preliminary version of the plan, which will outline statistical developments throughout the 1900's, will be available by early 1977.

. GNP Data Improvement Project: A project team is working under the direction of a public advisory committee to review the data requirements for improved estimates of components of the gross national product. These estimates provide a critical statistical framework for economic policy decisions. The recommendations are expected by mid-year 1976.